

Message Text

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ACTION AF-10

INFO OCT-01 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 ERDA-05
AID-05 CEA-01 CIAE-00 COME-00 EPG-02 DODE-00
EB-07 FEAE-00 FPC-01 H-01 INR-07 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-07 SP-02
SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 /136 W
-----031727Z 111739 /53

R 021452Z MAY 77
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 0000
AMEMBASSY ABIDJAN
JHUMBASSY ABU DHABI 114
AMEMBASSY ACCRA
AMEMBASSY ALGIERS
AMEMBASSY BONN
USINT BAGHDAD
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMEMBASSY COTONOU
AMEMBASSY DAKAR
AMEMBASSY DOHA
AMEMBASSYH THE HAGUE
AMEMBASSY JAKARTA
AMEMBASSY FREETOWN
AMEMBASSY JIDDA
AMEMBASSY KINSHASA
AMEMBASSY KUWAIT
AMEMBASSY LIBREVILLE
AMEMBASSY LOME
(AMEMBASSY LONDON 7094
AMEMBASSY MONROVIA
AMEMBASSY NDJAMENA
AMEMBASSY NIAMEY
USMISSION OECD PARIS
AMEMBASSY PARIS
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AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMEMBASSY YAOUNDE

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E. O. 11652: N/A

TAGS: ENRG, NI

SUBJECT: REACTION TO NIGERIA'S SECOND QUARTER OIL PRICE INCREASE

REF: A) LAGOS 4081; B) LAGOS 3728

1. CUSTOMERS ARE REPORTEDLY OBJECTING STRENUOUSLY TO NIGERIA'S SECOND QUARTER PRICE INCREASE, BUT WITHOUT MUCH SUCCESS.

2. ACCORDING TO OIL TRADING COMPANY SOURCE, OIL CANNOT BE SOLD AT NEW PRICES AND NO THIRD PARTY BUYERS HAVE YET ACCEPTED INCREASED. HIS COMPANY HAS EVEN OFFERED SOME CRUDE AT FOB PRICES UP AND DOWN WEST AFRICAN COAST, WITHOUT ANY MARKUP, AND FOUND NO TAKERS. HOWEVER, NO BUYERS HAVE YET CEASED LIFTING CRUDE. UNDER TERMS OF CRUDE SALES CONTRACTS, PENALTIES FOR NOT LIFTING ARE SEVERE AND ARE COVERED BY IRREVOCABLE LETTERS OF CREDIT. IF AGREEMENT IMPOSSIBLE, BUYERS MAY PHASE OUT DURING GIVEN QUARTER, BUT ANY ABRUPT CURTAILMENT OF LIFTINGS HIGHLY UNLIKELY. SOURCE SAID CITIES SERVICE, CROWN CENTRAL AND VEBA-GELSENBERG MAY BE ON POINT OF ASKING FOR PHASE OUT, AND BRASILIAN AMBASSADOR IN LAGOS HAS PROTESTED ON BEHALF OF PETROBRAS. SOURCE ADMITTED PLEASES FALLING ON DEAF EARS AT MINISTRY OF PETROLEUM RESOURCES (MPR).

3. SOURCE AT SHELL-BP, WHICH PRODUCES MORE THAN HALF OF NIGERIA'S OIL, TOOK MORE RELAXED ATTITUDE THAN THIRD PARTY
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BUYERS. THIS SOURCE NOTED THAT NIGERIA'S CUSTOMERS MADE A KILLING IN FIRST QUARTER, WHEN MARKET VALUE OF NIGERIAN CRUDE WAS ABOUT 30 CENTS HIGHER THAN OFFICIAL SALES PRICE. SOURCE SAID IN HIS OPINION THIS CAUSED RESENTMENT IN MPR BECAUSE OIL COMPANIES HAD BEEN ADVISING MPR TO BE CAUTIOUS ABOUT OVER-PRICING NIGERIAN CRUDE IN DECEMBER. MPR ACCORDINGLY LOWERED DIFFERENTIALS FOR ITS CRUDE FOLLOWING OPEC MEETING AT DOHA TO PRODUCE OVERALL PRICE INCREASE OF ABOUT 8 PERCENT, THEN SAW MARKET BOOM AS COLD WINTER HIT U.S. SOURCE SAID ALTHOUGH OIL COMPANIES COULD BY NO MEANS HAVE PREDICTED WHAT HAPPENED TO WEATHER MPR RETALIATED BY STICKING THEM WITH 30 CENT SECOND QUARTER PRICE HIKE IN ORDER TO RECOUP SOME OF THE WINDFALL COMPANIES HAD OBTAINED IN FIRST QUARTER. DECISION NOT CONNECTED WITH ALGERIAN OR LIBYAN PRICE ACTIONS. SOURCE ADMITTED THAT NIGERIAN OIL OVERPRICED RIGHT NOW, ESPECIALLY FORCADOS 31 API, BUT SAID HIS COMPANY NOT OVERLY CONCERNED ABOUT QUARTER-TO-QUARTER VARIATIONS AND LOOKS INSTEAD FOR SATISFACTORY LONG TERM AVERAGE RETURN. SOURCE SAID HIS COMPANY EXPECTS MPR WILL ADJUST PRICES AS NECESSARY IN THIRD QUARTER TO RESTORE

BALANCE WITH MARKET VALUES AND WILL BEGIN TO WORRY ONLY IF THAT
DOES NOT OCCUR.
EASUM

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 02-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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